GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7806
ANSWERED ON:17.05.2002
COOPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANKS
SUBODH MOHITE

Will the Minister of FINANCE be pleased to state:

(a) whether the NABARD has issued guidelines to improve functioning` of cooperativeAgriculture and Rural Development Banks in States;

(b) if so, the details thereof;

(c) whether the NABARD has examined the problems faced by Cooperative Agriculture and RuralDevelopment banks in various States;

(d) if so, the details thereof; and

(e) the measures to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRi GIN GEE N. RAMACHANDRAN)

(a) & (b): National Bank for Agriculture and Rural Development (NABARD) has reported thatit has issued guidelines and taken a number of initiatives for improving the working of the State Cooperative Agriculture and Rural Development Banks (SCARDBs). These measures include preparation of institution-specific development action plans (DAPs) aimed at attainingcurrentj sustainable viability in the shortest possible time-frame and implementation and monitoring the same through the mechanism of Memorandum of Understanding (MoD). These guidelines were revised in July, 2000 for incorporating implementation of prudential norms

(income recognition, asset classification and provisioning norms), etc. Guidelines were further issued in April 2001 for implementing one-time settlement scheme (OTS) to reduce the level of non-performing assets.

(c), (d) & (e): Government had set up a task Force to study the cooperative credit system and suggest measures for its strengthening under the Chairmanship of Shri Jagdish Capoor. The Task Force found that SCARDBs were suffering from duality of control, lack of professional management, high intermediation cost, low profitability jlosses, poor recovery, high levels of non-performing assets, etc The Task Force recommended a four dimensional revitalization package encompassing financial, operational, organization and systematic aspects including recapitalisation of potentially viable cooperative credit institutions. Subsequently, a committee under the Chairmanship of Minister of State for Finance had been constituted forconsideration of revitalization assistance to cooperative banks. Subsequent to the submission of the report by the Committee, Government has made a provision of Rs.l00 crore in the Budget for the year 2002-2003 for revitalising the cooperative banks including Agriculture and Rural Development Banks.